

MEMORANDUM

DATE: December 18, 2018

TO: SITLA Board of Trustees

FROM: Kim Christy, Deputy Director
Ron Torgerson, Deputy Assistant Director

SUBJECT: Approval of Negotiated Sale to Central Iron County Water Conservancy District (C-26806)

FUND: School

The Trust seeks formal approval of a negotiated sale of 640 acres of trust land in the Pine Valley area of western Beaver County to the Central Iron County Water Conservancy District (CICWCD). Formal Board approval of this negotiated sale is required pursuant to Administrative Rule R850-80-620(3), as it would exceed 320 acres in size and \$250,000 in value.

Legal Description of Subject Property:

Township 29 South, Range 17 West, SLB&M
Section: 36 (See map, "Exhibit A")

Background Information:

In a recent water rights settlement agreement the State Engineer granted CICWCD significant water rights in the Pine Valley and Wah Wah Valley areas of Beaver County. CICWCD intends to develop these water rights and pipe the water to Cedar City in order to support anticipated future growth. As part of the settlement agreement, SITLA has negotiated a water supply agreement with CICWCD allowing for SITLA's use of CICWCD's Wah Wah Valley water rights for the planned Potash Ridge mineral lease operations. SITLA will be allowed to use the Wah Wah Valley water for mining purposes until CICWCD needs it to support additional growth in Cedar City. In order to prolong the period of the time that the Wah Wah Valley water will be available to SITLA, it is important that CICWCD first develop and use their Pine Valley water rights.

It is the intention of CICWCD to first develop their Pine Valley water rights. The development of these water rights over the next several years will involve leases and easements on several parcels of trust land for wells, storage tanks, pipelines, and access roads. In the first phase of their development, CICWCD plans to construct significant infrastructure on the subject property, including several wells, pipelines, solar energy facilities, storage facilities, and headquarters. Due to extent of this planned infrastructure, CICWCD has petitioned SITLA to sell them the subject property via negotiated sale.

Current Uses:

The subject property has a grazing permit to Lyle Carter for 30 AUMs which is earning approximately \$175.00 per year. There is also an easement on the property for a Beaver County Road.

Proposal:

Pursuant to a recent appraisal, the appraised value of the property is \$450.00 per acre or \$288,000 total. In order to justify a negotiated sale directly to CICWCD, SITLA offered to sell the property at a premium price of 140% of the appraised value (\$630.00 per acre or \$403,200). CICWCD presented SITLA's offer to their board, who have now made a counter offer of 120% of the appraised value (\$540.00 per acre or \$345,600).

CICWCD has funding available to facilitate this purchase and intends to structure the transaction as a cash deal. They have indicated a desire to close on the transaction as soon as possible.

Sale Review:

The proposed sale has been reviewed internally by SITLA's management team. No conflicts were identified by the Oil & Gas Group, Mining Group, or Planning & Development Group.

A cultural resource survey was completed on this subject parcel. No significant sites were located.

Pursuant to R850-80-620(1) and R850-80-615 the agency advertised the subject property and no comments or competing applications were received.

The proposed sale was reviewed by the Resource Development Coordinating Committee (RDCC) and the local government clearing house. The Five County Association of Governments submitted a comment stating that they conditionally supported the sale if the concerns outlined in a letter from the Beaver County Commission were met. The Beaver County Commission's concern is that there be no net loss of AUM's throughout the grazing allotments located in Beaver County. CICWCD officials and SITLA staff met with the grazing permittee and CICWCD offered the permittee additional watering sources from two existing wells and two other water outlets on the future water project in areas with little water to make up for the lost AUMs. CICWCD also agreed to allow the grazing permittee to graze the subject property before and after development except for one-acre fenced well protection zones and around solar panels. SITLA staff reported this agreement to two Beaver County Commissioners and they seemed satisfied.

Recommendation

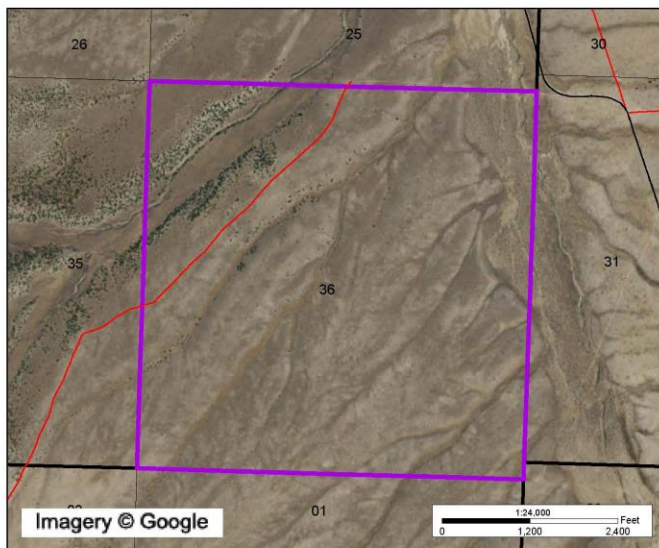
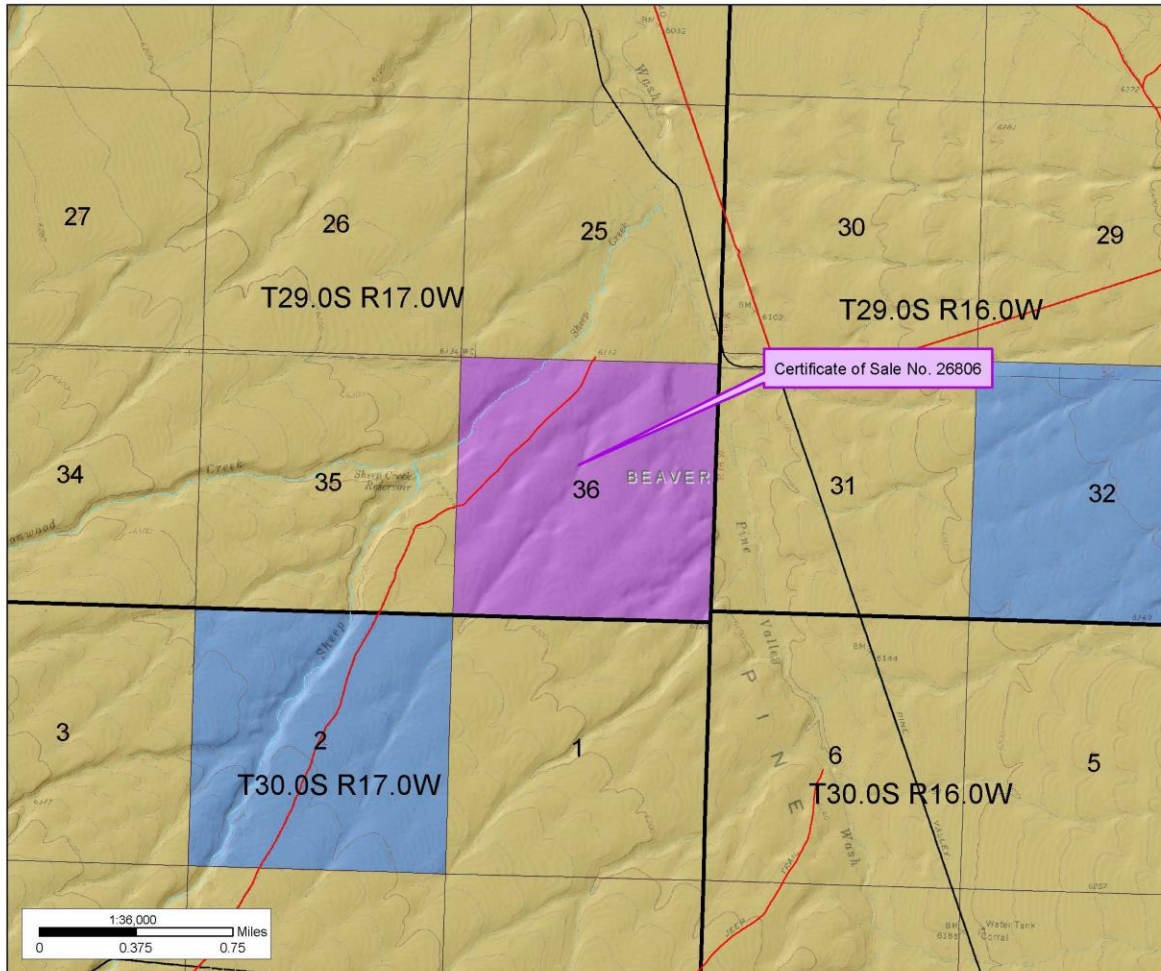
SITLA's participation in this transaction, as well as other needed leases and/or easements, will enable CICWCD to fully develop their Pine Valley Water rights. It is in the best interest of the trust beneficiary that CICWCD proceed with the full development of its Pine Valley water rights, as doing so will allow CICWCD to provide for the needs of Cedar City for the next 30+ years without tapping into their Wah Wah Valley water, thus enabling the Trust extended use of the Wah Wah Valley water for the Potash Ridge mining project.

It recommended that the Board of Trustees accept CICWCD's offer of \$345,600, which represents 120% of the property's appraised value. In addition to the purchase price, CICWCD has paid \$2,250.00 for the appraisal and \$18,250.00 for the cultural resource survey. They will also have to pay a \$328.00 advertising fee, \$250.00 application fee, and a \$500.00 processing fee at closing.

The Board's Surface and Water Rights Committee initially reviewed the proposal on October 30, 2018 and expressed support for the deal framework, subject to appraisal and final negotiation of the purchase price with CICWCD. The Committee has since had an opportunity to review the final proposal and has given a favorable recommendation.

Cc: David Ure
Paula Plant

Exhibit A – Map of C-26806 Negotiated Sale to CICWCD



Date represented on this map is for REFERENCE USE ONLY and is not suitable for legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the usability of the information. SITLA provides this data in good faith and shall in no event be liable for any incorrect results, or any special, indirect or consequential damages to any party, arising out of or in connection with the use or the inability to use the data herein.

Land parcels, lease boundaries and associated SITLA data layers may have been adjusted to allow for visual "best fit." The Surface Ownership Land Status data (if present) are maintained by SITLA to reflect current trust land status and surface ownership. Lakes, rivers, streams, highways, roads, county and state boundaries are distributed by the Utah Automated Geographic Reference Center and/or other sources as specified. Contour lines (if present) were generated from USGS 10 meter DEM.

Please Note: While SITLA seeks to verify data for accuracy and content, discrepancies may exist within the data. Acquiring the most updated SITLA ownership GIS data may require contacting the GIS staff directly: 801-536-5100 or TLA-GIS@utah.gov. The SITLA GIS department welcomes your comments and concerns regarding the data and will attempt to resolve issues as they are brought to our attention. Color Aerial Photo (Google Imagery - 6 inch High Resolution).